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SUBJECT: THE EU AT 25: DOES IT WORK?

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SUMMARY

11. (C) Despite arguments in some quarters that an EU of 25 members could not work without the streamlined Council decision-making procedures of the proposed EU Constitutional Treaty, we do not believe that EU enlargement has led to EU gridlock. Over one year after enlargement, the expansion of the EU to 25 members has not produced the decision-making paralysis some feared. The new ten members have influenced the outcome of some EU debates, such as policy on Russia, by shifting the balance between pre-existing divisions among the EU-15, but this has not blocked decisions. Enlargement has aggravated divisions within the EU in only a very few specific examples, such as policy toward northern Cyprus. END SUMMARY.

12. (SBU) One of the key rationales given by partisans of the EU's Constitutional Treaty has been that, in order for the EU to avoid institutional paralysis as it grew to 25 members, it needed to streamline its decision-making procedures. In particular, the draft constitutional treaty moved away from unanimity decisions to more use of super-majority voting (which in Eurojargon is known as "qualified majority voting" or QMV). With the defeat of the Constitutional Treaty in both the Dutch and French referenda, the EU is going to have to live with its current decision-making rules for some time to come. Based on just over one year's experience with the EU functioning at 25, this message examines whether the EU's enlargement is contributing to gridlock in EU decision-making or not, and the implications for the U.S.

13. (C) In this Mission's view, fears of gridlock were overblown. Over the course of the past year, there are few instances where the presence of the ten new members appears to have blocked or delayed the EU in taking a decision on a general policy issue. Enlargement has sometimes been blamed as a complicating factor even when it was not the case. As an example, Luxembourg PM Juncker claimed that revision of the Stability and Growth Pact earlier this year would have been easier among just the eurozone group, but other EU officials have acknowledged that this was a case of Juncker scapegoating the new members for divisions that were already present among the EU-15, where the Dutch were as dogmatic as any member state in opposition to relaxing the Pact. Perhaps the only cases that we are aware of where a new member has significantly delayed a general EU policy decision were Polish objection and delay to a directive on patenting of computer software, and Cyprus' foot-dragging on opening trade and aid with Northern Cyprus.

14. (C) EU enlargement has complicated decision-making on some policy issues that the new members view as of vital national interest, however. The most prominent of these, as noted above, is the EU's ongoing struggle to approve measures intended to end the isolation of northern Cyprus. Because the Cypriot government has been willing to treat this issue as its most important priority in all its dealings within the EU, its exercise of its veto regarding trade liberalization measures with the north of the island has meant the entire EU has been unable to act.

15. (C) While not contributing much to EU paralysis, the new ten have had important influence on some EU policies, particularly those of keen national interest to them. The attitudes of the eight central and eastern European members, especially the Balts and the Poles, had a significant impact on EU policy toward Russia and Ukraine. Members such as Slovenia and Hungary have been vocal in joining Austria and some others to urge a faster accession path for Balkan states, even if it could involve a weakening of the EU's ICTY conditionality. And a number of the new member states have added their support to the camp within the EU supporting more liberal economic reforms, liberalization of labor markets and flexible tax regimes (or blocking pressure from some member states to take EU economic regulation in the other direction).

16. (C) But, as these examples demonstrate, the new member states have not fallen outside the pre-existing range of policy opinions among the EU-15. What their presence has done is shift the balance in the Council (and to a far lesser degree it appears in the European Parliament) toward one camp or another among the EU-15. In part, this reflects the new members' desire for credibility within the EU, which they

obtain by seeking coalitions with like-minded members among the EU-15 on issues of concern to them. For example, the Czechs, Poles and Balts work closely with the Nordic members and, more generally, with Protestant, northern European countries on issues such as EU relations toward Russia, Ukraine, Moldova and Belarus.

17. (C) The on-going debates over the EU's budget for 2007-2013, which the June 16-17 European Council failed to resolve, showed once again how pre-existing divisions among the EU-15 define the real fault lines within the EU. The new EU members, who include the seven poorest countries in the EU, are keen to ensure they will benefit from continued subsidies in the next EU budget. But they were ready to make a deal on June 17, even giving up a portion of the assistance money they expected. It was the old EU members, particularly France and Britain, but others as well, who proved the most intractable.

MCKINLEY

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